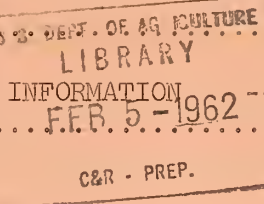


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ASCS BACKGROUND



BI No. 1 - October 1961

THE AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

The Agricultural Stabilization and Conservation Service is the agency of the U. S. Department of Agriculture which carries out various action programs in the general fields of production adjustment, conservation assistance, and price and market stabilization. It includes within it the ASC State, county, and community farmer committee system and most of the operations of the Commodity Credit Corporation.

The principal ASCS activities include (1) price support, which is carried out through commodity loans to farmers or through direct purchases of agricultural commodities from farmers and processors; (2) production adjustment, which is carried out through marketing quotas, acreage allotments, and/or stabilization payments for a number of commodities in which the nation is more than self-sufficient (cotton, tobacco, rice, peanuts, wheat, corn and other feed grains), and through conditional or incentive payments for two commodities in which the nation is not self-sufficient (sugar and wool); (3) conservation assistance, carried out through sharing with individual farmers the cost of installing needed soil-, water-, woodland- and wildlife-conserving practices under the Agricultural Conservation Program, and through annual land rentals under the Conservation Reserve of the Soil Bank; (4) management of the inventories of the Commodity Credit Corporation through sales, export payments-in-kind, donations, storage, and related processing and shipping arrangements; (5) market stabilization, on a self-help basis, through marketing agreements and orders; (6) emergency disaster relief, through direct assistance to farmers and ranchers whose feed

supplies have been destroyed or whose farmlands have been seriously damaged by widespread flood or drought; and (7) preparedness planning for purposes of national defense.

Organization

The Agricultural Stabilization and Conservation Service is headed by an Administrator, an Associate Administrator, and five Deputy Administrators. Each of the latter has over-all responsibility in one of five areas of activity: State and county operations, price and production, commodity operations, conservation, and management.

Reporting to the Deputy Administrator for State and County Operations are 51 ASCS State Offices (one for each State and Puerto Rico), three functional divisions -- Bin Storage, Compliance and Aerial Photography, and Soil Bank -- and a Disaster Livestock Feed Staff. Six commodity divisions -- Cotton, Grain, Livestock and Dairy, Oils and Peanut, Sugar, and Tobacco -- and the Milk Marketing Orders and Price divisions report to the Deputy Administrator for Price and Production. Seven ASCS Commodity Offices, the Cotton Products and Export Operations Office, the Inventory Management and the Transportation Services divisions report to the Deputy Administrator for Commodity Operations. The Conservation Programs and the Program Analysis divisions report to the Deputy Administrator for Conservation. Seven functional divisions -- Investigation, Internal Audit, Administrative Services, Budget, Fiscal, Information, and Personnel Management -- and an Operations Analysis staff report to the Deputy Administrator for Management. The Food and Materials Division reports directly to the Administrator.

The seven ASCS Commodity Offices are located in Cincinnati, Evanston (Ill.), Dallas, Kansas City (Mo.), Minneapolis, New Orleans, and Portland (Oreg.). Each is responsible in its geographic or commodity area for such activities as loans, purchases, shipping, storage, commodity dispositions, export financing, fiscal examination, payment, and accounting. The Cotton Products and Export Operations Office is in New York City.

The Administrative Services, Investigation, Fiscal, Internal Audit, and Personnel Management divisions maintain offices in the field as well as in Washington.

Agricultural Stabilization and Conservation (ASC) State and county committees are key units in ASCS's field organization. The farmer-elected county committees participate in development and administration of marketing agreements and orders, and are responsible for local administration of such national programs as acreage allotments and marketing quotas, the Agricultural Conservation Program (ACP), the Conservation Reserve, price-support loans and purchase agreements, stabilization programs and diversion payments, Sugar Act and National Wool Act payments, storage, and other ASCS and CCC activities requiring direct dealings with farmers. When arranging to participate in any of these programs, the farmer's first point of contact is the county ASCS office, which is usually located at the county seat.

Following is a brief description of the major programs for which the Agricultural Stabilization and Conservation Service is responsible:

Price Support

ASCS administers price support programs for wheat, corn, cotton, peanuts, rice, tobacco, butterfat, milk, wool, mohair, honey, tung nuts, barley, oats, rye, sorghum grain, flaxseed, soybeans, dry edible beans, cottonseed, and crude pine gum. Support is achieved through loans, purchases, purchase agreements, and, in the case of wool, incentive payments.

The programs give farmers a ready means of maintaining their income and promoting more orderly marketing in periods when bountiful harvest supplies threaten to push prices of farm commodities down to unfair levels.

Unusually heavy supplies of farm commodities in recent years have required active price-support operations. The investment in price-support -- the cost value of commodity inventories acquired in supporting prices, plus the amount of

price support loans outstanding -- at the beginning of 1961 totaled 9.4 billion dollars. Of this total, 7.4 billion dollars represented CCC inventories.

Although ASCS, through its personnel and facilities, administers price support operations, the programs are authorized and financed by the Commodity Credit Corporation.

Commodity Inventory and Sales Operations

With large quantities of grain and other commodities in inventory, or held as security for price support loans, storage operations are a major activity for ASCS.

Regular commercial storage facilities are used to the fullest extent practicable. CCC-owned grains and related commodities are stored in some 10,000 commercial warehouses throughout the country. Cotton, tobacco, dairy products, and other commodities are also stored in regular commercial facilities.

To bridge the gap when available commercial space is not adequate to meet all current needs, CCC has acquired some supplemental storage of its own. It currently owns special grain bins with a capacity of about 981 million bushels, located on bin-sites throughout the major grain-producing areas. These are used primarily for local storage of corn. In October 1961 CCC was also storing nearly 34 million bushels of CCC-owned wheat in idle merchant ships of the Maritime Administration.

Through a Farm Facility Loan Program, ASCS encourages and aids farmers in the expansion of their own storage facilities. Farmers have added nearly 500 million bushels of storage capacity through the use of special ASCS farm storage and equipment loans, which run for five years at four percent interest. In recent years farmers have been able also to continue their price-support loans on farm-stored grains beyond the first year, earning storage payments during the loan extension ("reseal") period.

To keep CCC inventories at manageable levels, every effort is made to move them into useful consumption outlets as rapidly as possible. The commodities are disposed of in various ways. Some are sold in the United States for dollars, and some move into export channels for dollars and foreign currencies. Substantial quantities of food commodities are transferred to other agencies, on either a reimbursable or nonreimbursable basis, for eventual donation to school lunch programs, Veterans Administration and Armed Forces hospitals, needy Indians on reservations, and, through approved welfare organizations, to other needy persons in the United States and abroad.

Production Adjustment

Acreage allotments are used in an effort to help bring the production of five "basic" crops (cotton, wheat, rice, peanuts, and most kinds of tobacco) into line with demand.

When supplies are very large, marketing quotas are used in conjunction with acreage allotments for these five crops if at least two-thirds of the producers voting in referendums approve the quotas. When quotas are in effect, any excess production of the crop -- that is, the production from acreage in excess of the farm acreage allotment -- is subject to penalties.

Acreage allotments for 1961 "quota" crops were in effect, on a national basis, as follows: Wheat, 55,000,000 acres; upland cotton, 18,458,424 acres; extra long staple cotton, 63,740 acres; rice, 1,652,596 acres; and peanuts, 1,612,427 acres. Tobacco acreages allotted for 1961 crops were as follows: Burley, 329,095 acres; flue-cured, 715,817 acres; Maryland, 49,663 acres; Virginia sun-cured, 4,361 acres; fire-cured (type 21), 9,148 acres; fire-cured (types 22 and 23), 32,820 acres; dark air-cured, 15,834 acres; cigar-binder, 10,786 acres; cigar-filler and binder, 25,701 acres.

Stabilization Payments

To assist farmers in maintaining their income from crops for which large temporary acreage cuts are desirable because of huge carryover stocks already in storage, CCC was authorized by emergency legislation in March 1961 to make diversion payments to farmers who agreed to reduce their 1961 acreages of corn or grain sorghum at least 20 percent below their average acreages of the two preceding years and to devote the diverted acres to conserving uses.

Under this emergency program, producers agreed to divert to conserving uses 20.1 million acres of corn and 6.6 million acres of grain sorghum on nearly 1.2 million farms. Payments, either in kind or in cash at the producer's option, are based on the county support rate for the commodity applied to a percentage of normal production on the diverted acres.

The Agricultural Act of 1961 (approved Aug. 8, 1961) authorizes extension of the program to 1962 crops of corn for grain and grain sorghum, and broadens the program to include barley. It also provides a 1-year program for wheat. Wheat marketing quotas on the 1962 crop were approved by 79.4 percent of the producers voting in a referendum August 24, 1961. Individual farm acreage allotments have been reduced 10 percent below those in effect for 1961-crop wheat. Stabilization payments will be made to farmers who in addition to complying with the smaller allotments put the diverted acres into approved conserving uses.

Agricultural Conservation

Farmers participating in the Agricultural Conservation Program (ACP) receive assistance averaging about one-half the cost of carrying out such conservation practices as establishing and improving vegetative cover of grasses, legumes, or trees for soil protection, installing erosion control structures, and practices for the conservation and more efficient use of water.

Under the program for 1962, additional soil- and water-conservation practices especially beneficial to wildlife are included. The wildlife practices will be developed locally in consultation with State wildlife agencies, and will include establishment of wildlife food plots or habitat, pond and shallow water areas, and other practices which provide substantial soil and water conservation and wildlife benefits. In emergencies caused by such disasters as floods, drought, or hurricanes, ACP funds are used for approved practices needed to bring the damaged farmland back into productive use.

Over a million farmers and ranchers currently are participating in the cost-share conservation program provided by ACP.

Under the Conservation Reserve, farmers earn payments by holding general cropland out of production and putting it to conserving uses. Although authorization to accept additional contracts under this program ended with the 1960 program year, producers can earn annual payments for the remaining years of term contracts still in effect.

Conservation Reserve contracts signed from 1956 through 1960, and still in effect in 1961, numbered more than 300,000 and represented the diversion from crop production to conservation use of approximately 28.4 million acres for contract periods ranging from 3 to 10 years.

Federal Milk Marketing Orders

Federal milk marketing orders, put into effect by the Secretary of Agriculture at the request of dairy farmers through their cooperative associations, are designed to assure the dairy farmer who sells his milk in a regulated market of a uniform minimum price based on current supply and demand conditions. Like the marketing agreements and orders in effect for a number of fruits, vegetables, and tree nuts, they exemplify the desire of nearly all agricultural producers to solve their problems insofar as possible on a self-help basis.

As of August 1961, Federal milk marketing orders were in effect in 80 milk markets in the United States. The orders serve to prevent wild price swings. They thus serve to protect the producer against unnecessary expansion in production which might lead him into financial difficulty and to prevent disastrously low prices which could force even the most efficient operator out of business. They also assure the handler of milk that he and his competitors are paying for the milk at the same prices for each use, that is, whether for bottled milk or for manufacturing into dairy products. They serve to assure the consumer living in a regulated market of a dependable supply of high quality milk.

During 1960 a total of 44.8 billion pounds of milk (approximately 22 billion quarts), more than a third of all the milk produced in the U. S., was sold to handlers operating under Federal milk marketing orders. More than 190,000 dairy farmers cooperated in the program.

International Wheat Agreement

The main objective of the International Wheat Agreement is to assure markets for wheat from exporting countries and supplies of wheat to importing countries at equitable prices. Importing countries are obligated to purchase from member exporting countries specified percentages of their total commercial imports. The United States and other exporting countries are obligated to sell member importing countries quantities up to historical commercial levels at the Agreement maximum price.

Between maximum and minimum levels, wheat moves under the Agreement at prices negotiated by the buyer and the seller. For the 1959-62 Agreement, the maximum price is \$1.90 per bushel for No. 1 Manitoba wheat, bulk in store at Fort William-Port Arthur, Canada, in terms of United States currency. The minimum price on the same basis is \$1.50 a bushel.

During the 1960-61 marketing year, 130 million bushels of wheat and wheat equivalent in flour were registered for shipment from the United States under the Agreement. Differential payments, made to bridge the gap between domestic price levels and sales prices under the Agreement, averaged about 56 cents a bushel.

The Sugar Program

The sugar program is authorized by the Sugar Act of 1948, as amended. Broad purposes of the program are to maintain a healthy and competitive domestic sugar industry of limited size; to assure adequate sugar supplies for consumers at reasonable prices; and to promote general export trade.

Main features of the sugar program include: The determination each year of the amount of sugar which will be needed to fill United States requirements; the establishment of "quotas" which determine the share of this market which will be available for each domestic and foreign producing area; the establishment (as needed) of individual allotments, or "proportionate shares", for domestic farm producers; and the payment of "conditional payments" to producers in return for their compliance with the production adjustment and other provisions of the program.

The conditional payments to producers are financed out of the general funds of the Treasury. However, sugar taxes provide funds for the Treasury which more than offset all costs of the program.

Conditional payments of approximately 73 million dollars were made on the 1960 crop to about 65 thousand sugar beet and sugarcane producers in 24 States, Puerto Rico, and the Virgin Islands. Sugar tax collections during fiscal year 1960 totaled about 95 million dollars.

The Wool and Mohair Programs

The wool program administered by ASCS is an incentive program to increase production. It is authorized by the National Wool Act of 1954, which directs that domestic wool production at a yearly level of 300 million pounds shall be encouraged "as a measure for our national security and in promotion of the general welfare."

The Act, which was extended through 1966 by the Agricultural Act of 1961, also provides price support for mohair at a level related to the incentive price for wool.

The payments under the wool program are set so as to bring the national average price received by producers for their wool up to a national average incentive price. The payment to each producer is a flat percentage of his own returns from wool marketings.

For example, the rate of payment for the 1960 wool marketing year was 47.6 percent, which was the percentage needed to bring the average price received by all producers (42 cents) up to the announced incentive level of 62 cents. Thus, each producer received \$47.60 for every \$100 he received from his wool sales.

The use of a percentage method to set the rate of payment instead of making a uniform flat payment per pound of wool sold encourages producers to do a good job of marketing their wool, and also takes into account the relative value of the various grades of wool.

During each of the 8 years of the program -- from the 1955 marketing year through the 1962 marketing year (already announced) -- the incentive level has been set at 62 cents per pound. During this period the average price received by producers has ranged from 53.7 cents per pound in 1958 to 36.4 cents per pound in 1959.

Average prices received by mohair producers during the first six years of the program have been above the announced support level and thus no support payments were necessary. The determination as to whether payments will be required on 1961 marketing will be made in the early summer of 1962, after the average price received by farmers for 1961 mohair marketing has been determined.

Emergency Disaster Assistance

Disaster committees, with the chairman of the State Agricultural Stabilization and Conservation (ASC) Committee serving as a member along with the State directors of the Farmers Home Administration and the Cooperative Extension Service, have been established in each State and in Puerto Rico and the Virgin Islands. These committees report on any disaster situation in their respective areas, and, whenever necessary, recommend that the Secretary of Agriculture designate as disaster areas, under provisions of applicable legislation, areas so seriously affected as to require emergency assistance to maintain their farm livestock or to restore farmland damaged by flood, hurricane, or drought.

The emergency assistance may take various forms -- relaxing haying and grazing restrictions on local lands in the Conservation Reserve, making CCC-owned feed grains available to eligible farmers and ranchers at below-market prices, and in some instances by donation, or cost-sharing to make possible the immediate installation of conservation practices to repair serious damage -- the exact form or forms depending on the local needs.

As of October 1961, emergency feed and grazing assistance had been given in more than 200 counties in 13 States, and emergency cost-sharing conservation assistance had been given in 209 counties in 7 States and in one district in Puerto Rico.

Preparedness Planning for National Defense

Preparedness planning for national defense is carried out as part of the U. S. Department of Agriculture's regular and continuing activities. It is designed to cope with the emergency production, processing, and distribution problems in food and agriculture that would follow a nuclear attack on this country; to control fires in rural areas caused by attack; and to provide defense against chemical and biological warfare and radiological fallout in relation to crops and livestock.

The Food and Materials Division of ASCS has responsibility for coordinating these preparedness planning activities. It also serves as the Department's liaison center for the interchange of defense information between government agencies.

Eight full-time Regional Liaison Representatives of the Department, stationed at regional offices of the Office of Emergency Planning, provide liaison with that Office and other government agencies at the regional level, and advise and assist other USDA field units in planning preparedness measures. USDA State and county Defense Boards, composed of selected personnel from USDA agencies having major defense responsibilities in the field, assist locally in pre-emergency planning.

CCC-owned stocks automatically provide a significant stockpile of food for emergency use. These stocks are located, to the fullest extent practicable, in keeping with a policy which emphasizes emergency accessibility, safety, and transportation. For example, CCC wheat stocks stored in ships in the Hudson, James, and Columbia Rivers are adjacent to heavily populated areas and milling facilities, yet are reasonably safe from blast damage and fallout contamination. Methods of utilizing these stocks in the best interests of the nation currently and in a wartime emergency are under continuing review.